

## News Flash: Crisis in the US financial market

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March 13, 2023, Peter von Elten

- To prevent a bank run, US regulators decided over the weekend of 11-12 March that all customer deposits of the Silicon Valley Bank (SVB) would be guaranteed. SVB, which closed on March 10<sup>th</sup>, was once the 16<sup>th</sup> largest bank in the US and a major financier of start-ups. Treasury Secretary Yellen and the Fed have guaranteed the value of all customer deposits.
- HSBC has announced a takeover of its British subsidiary. The BoE or the Fed will almost definitely have made certain guarantees to enable this move for HSBC.
- Signature Bank, a much smaller institution than SVB, has also closed. Alongside 40 customer branches in Metropolitan New York, North Carolina, Connecticut, and California, Signature Bank was a financier with close links to the crypto industry. Here, the state is also guaranteeing customer deposits.
- In general, all customer bank deposits will now be guaranteed by the Fed.
- Last week, Silvergate Capital Bank was liquidated. This bank also had close ties to the crypto market.
- The decisive and coordinated actions by regulators, the Fed and the US Treasury over the weekend have all aimed to calm markets and prevent disaster. The Fed is also making additional credit lines available to US banks, at favorable conditions, hoping to forestall a liquidity crunch.
- Most market observers expect the Fed to suspend the rate hike that was planned for this month, or to at least raise it by a maximum of 25 basis points. The ECB will most likely also pursue this move.
- This crisis will have a significant impact on sectors working with high leverage. First and foremost, these include the tech and private equity sectors, but also the real estate sector.
- For the time being, a banking crisis in the financial sector seems to have been averted. However, the tech and private equity business will experience particular shockwaves.

- It's currently difficult to assess the consequences of this crisis at a macro level. However, we can expect to see high anxiety and volatility in the coming days. The battle for bank deposits will intensify. Banks will be forced to offer higher interest rates to counter stronger migration into short-term Treasuries.

If you have any questions or need a more in-depth analysis, please do not hesitate to contact us. We look forward to exchanging ideas with you.

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